

THE STATUS OF THE DEPARTMENT
OF VETERANS AFFAIRS' FINANCIAL
MANAGEMENT BUSINESS TRANSFORMATION

JOINT HEARING

BEFORE THE
SUBCOMMITTEE ON OVERSIGHT AND
INVESTIGATIONS
AND THE
SUBCOMMITTEE ON TECHNOLOGY MODERNIZATION
OF THE
COMMITTEE ON VETERANS' AFFAIRS
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THURSDAY, DECEMBER 5, 2019

U.S. HOUSE OF REPRESENTATIVES
SUBCOMMITTEE ON OVERSIGHT AND INVESTIGATIONS,
SUBCOMMITTEE ON TECHNOLOGY MODERNIZATION,
COMMITTEE ON VETERANS' AFFAIRS
Washington, D.C.

The subcommittees met, pursuant to notice, at 10:07 a.m., in room 210, House Visitors Center, Hon. Chris Pappas [chairman of the Subcommittee on Oversight and Investigations] presiding.

Present from Subcommittee on Oversight and Investigations: Representatives Pappas, Rose, Cisneros, and Bergman.

Present from Subcommittee on Technology Modernization: Representatives Lee, Cunningham, and Banks.

OPENING STATEMENT OF CHRIS PAPPAS, CHAIRMAN, SUBCOMMITTEE ON OVERSIGHT AND INVESTIGATIONS

Mr. PAPPAS. The hearing will come to order. Without objection, the chair is authorized to declare a recess at any time.

Today's hearing is held jointly by the Subcommittees on Oversight and Investigations, and Technology Modernization. It is entitled, "The Status of the Department of Veterans Affairs Financial Management Business Transformation."

For years, VA's Inspector General has reported that the Financial Management is a major challenge for the Department. The Financial Management Business Transformation, or FMBT, is an effort to modernize VA's financial management practices. We are here today to examine whether VA's current plan for FMBT is realistic.

Strong financial management is about VA keeping an accurate track of taxpayer dollars to avoid waste and fraud. Financial management affects all of the important services that VA provides our veterans on a day-to-day basis, like getting medical supplies to VA hospitals to ensure veterans receive high-quality care; paying GI Bill benefits to help veterans pursue higher education; processing loan guaranties to help veterans achieve the goal of home ownership.

Financial management is also about the Department's ability to use reliable budget and spending data to make smart cost-benefit decisions.

To put it simply, the need for strong financial management and effective IT systems underlies all of VA's operations. Unfortunately, VA's financial management faces some major problems. The Department's current financial management system is around 30 years old and, in VA's own words, "relying on these antiquated and unintegrated IT systems presents a risk to VA operations."

I understand that the Department's obsolete financial IT systems require costly manual workarounds to meet VA's financial accountability needs and this makes it much more difficult for the Department to serve our veterans in a cost-efficient and effective manner. It is noteworthy that, although the Department passes its annual financial audit, it continues to have multiple material weaknesses in internal financial controls.

As we heard in the Oversight and Investigation Subcommittee hearing in September, the financial management system also contributes to VA's improper payments and debt collection processes, which can be particularly difficult on our veterans.

Fortunately, VA recognizes these major challenges, but here is the problem: twice before, VA has tried to replace its financial management system, first in 1998 and then in 2006; both previous attempts failed after years of development and a loss of hundreds of millions of taxpayer dollars.

I hope to hear today how VA has incorporated lessons learned from the past, these past attempts at financial modernization. I am sure that the Department agrees that we simply can't afford another failed attempt at improving financial management.

VA is now saying it may take 10 years to implement FMBT. Yes, the current plan is to complete the project in the year 2030, and we should ask ourselves if this is the best plan for success. Implementation of the new financial management system also depends on the success of other significant IT projects across the agency, which are also seeing signs of trouble, and so the question should be asked if this could derail FMBT.

Although implementing new integrated IT systems is important, robust financial management practices require a strong and knowledgeable workforce; in other words, it is about people. I hope to hear today about how VA plans to train its employees across the agency on how to effectively use this new system and new business processes. These steps will be critical to ensure successful implementation of the new financial management system.

While FMBT is not a cure-all for VA's challenges, its success is critical to improving financial management at the Department. Ultimately, strong financial management is necessary to help VA serve the veteran community as effectively and efficiently as possible. We all agree that we owe our veterans nothing less than that.

With that, I would like to recognize Ranking Member Bergman for 5 minutes for his opening remarks.

OPENING STATEMENT OF JACK BERGMAN, RANKING MEMBER, SUBCOMMITTEE ON OVERSIGHT AND INVESTIGATIONS

Mr. BERGMAN. Thank you, Mr. Chairman. Mr. Banks is delayed because of a family emergency, but will be joining us as soon as

he can. He has asked me to make opening remarks on behalf of the both of us.

With that, veterans are best served when both sides of this committee are working together, and I thank you for agreeing to hold this hearing. We are here today to take the first serious look by any committee at the VA Financial Management Business Transformation Program, known as FMBT.

VA's existing financial management and accounting systems are antiquated, disconnected, and inconsistent across business lines. These systems are the root cause of multiple material weaknesses in VA's annual financial statement audit year after year. It is a testament to the tenacity of our witnesses that the Department consistently manages to pass the audit despite these inhibiting factors.

FMBT began in 2016 when VA partnered with the U.S. Department of Agriculture, USDA, under a shared services arrangement to purchase and implement Computer Generated Imagery's (CGI's) Momentum software. At the time, VA explained that the current system used to produce the financial statements, Financial Management System (FMS), may have just 5 to 7 years of operational life remaining. However, on December 5th, 2017, exactly 2 years ago today, USDA canceled its agreement, and VA decided to continue with the Momentum implementation on its own. I understand the professed importance of FMBT, but am uncomfortable with the fact that this program has changed dramatically and repeatedly since its inception.

Since FMBT's initiation, the completion date has stretched from 2025, to 2028, to 2030. The number of implementation waves has increased from 18 to 33, and its life cycle cost estimate has increased from \$887 million to over \$2.3 billion, with a B, which includes the roughly \$380 million expended thus far, but VA has only implemented one minor software module to date in one of the Department's smallest business lines. The current schedule does not even contemplate starting to implement Momentum in the Veterans Health Administration, which is by far the largest VA organization with over 340,000 employees, until 2023. If the prediction of FMS ceasing to function is correct, we only have 2 to 4 years before that happens, but FMBT will not complete for roughly 10 years. We have got a gap.

I want to know how dire the situation truly is with FMS and the other systems that are slated for replacement. If the situation is dire and if installing Momentum will demonstrable benefits in terms of efficiency and cost avoidance, we need to have a serious conversation about whether completion is 2030 is appropriate.

Further, I want to know whether the current life cycle cost estimate is conclusive and durable, and how it would change if the schedule could be accelerated. It seems very possible that some of these underlying assumptions were made when USDA was involved, but were never reevaluated after the model collapsed.

Additionally, I am a firm believer in the importance of clear chains of command and streamlined organizational structures. FMBT has cycled through three different organizational models in just over 3 years. The confidence that our witnesses express in the

current structure is encouraging, but I need to better understand it.

The Office of Management, under the Chief Financial Officer (CFO), Mr. Rychalski, is being asked to lead all the other VA organizations in an IT project that involves a complex redesign of their business processes. This is a new role for the office. Today, I hope to explore where accountability and authority for each decision lies.

Above all else, I want to understand exactly what to expect from FMBT and when to expect it. The fact of the matter is, FMBT is one of the largest modernization efforts underway in VA, but has almost entirely slipped under the radar until now. Congress and the taxpayers deserve to know what we are getting into before we are in so deep that there is no way to change course. If FMBT's value proposition is persuasive, it is our duty to make sure the program receives the attention and resources necessary to be successful.

Again, Mr. Chairman, I would like to thank you for agreeing to hold this hearing, and I yield back.

Mr. PAPPAS. Thank you very much, Ranking Member Bergman.

I would now like to recognize Chair Lee for 5 minutes for some opening comments.

**OPENING STATEMENT OF SUSIE LEE, CHAIRWOMAN,
SUBCOMMITTEE ON TECHNOLOGY MODERNIZATION**

Ms. LEE. Thank you, Mr. Chairman. Thank you all for being here today.

Like many Federal agencies, the Department of Veterans Affairs is on a necessary but challenging journey to update its aging and antiquated IT systems. Many of these systems are not visible to the average observer, but they are critical systems that support the backbone of all VA operations and, without them, the VA cannot deliver the care and services that our veterans have earned.

A veteran may not necessarily directly touch the systems that support financial management, but these systems touch almost every aspect of VA operations: they are what ensures that the VA gets the bills paid correctly and on time; they are how the VA ensures that programs have the resources they need to provide necessary services; they are also what gives the VA the data to make informed budgeting decisions every year.

The systems that do all of this are currently 30 years old and use archaic coding language. They are unsustainable and have reached the end of their useful life many years over. The current condition of these systems leaves the VA vulnerable to risk, cyber-security problems, and bad financial decisions. In turn, these conditions can lead to harm to veterans and their families. The need to replace these legacy systems is clear, but the ongoing effort to do this raises questions about whether VA is approaching this modernization effort in an efficient and effective way.

The new system must connect to numerous other VA IT systems, such as the Electronic Health Record Modernization (EHRM), many of which are also undergoing modernization. Having so many dependent systems and so much enterprise-wide change increases the risk to this project.

Further, it appears that the VA is facing the same problems that plagued and led to failure of other IT modernization programs, including the lack of clear governance structure, inadequate and shifting requirements development, and uncertain resources. In the case of FMBT, schedules have already shifted and funding have lagged.

I also just—I brought this notional timeframe just really to underscore the underlying complexity of what we are undergoing here. On top of that, we have had a \$14 million shortfall out of a \$2.5 billion project. That may seem small, but it leads to strained decision-making, taking shortcuts at early stages, and not making the necessary investments to support the overall program.

The funding issue, as I understand it, was partly because of a lack of funding from the Office of Information and Technology, which is very concerning. We need to better understand Office of Information Technology's (OIT's) role in this enterprise-wide effort.

While it may be necessary to refine a modernization plan, adjust schedules, and adapt to changing conditions, I am concerned that the VA has not demonstrated a high level of fidelity in its current plan. We have heard the Secretary say that the VA's business transformation is a priority, but we need more definitive answers about the how and the when of the FMBT program if it is supposed to support this transformation.

I know the leadership here today is capable and wants this program to succeed. Without modernization, there is no way the VA's financial health will improve; however, without the necessary governance, accountability, and the resources, there is no way the VA will be able to successfully implement the systems it needs to support good financial management.

Again, thank you to all the witnesses for being here, and I look forward to getting into the details of this program.

Mr. Chairman, I yield back the remainder of my time.

Mr. PAPPAS. Thank you, Chairwoman Lee.

We have representatives from the Department of Veterans Affairs with us here this morning to discuss this important project. First, Mr. Jon Rychalski, Assistant Secretary for Management and Chief Financial Officer of the Department of Veterans Affairs. Mr. Rychalski has served in this role since December 2017. He is accompanied by two additional representatives from the Department. First, we have Ms. Terry Riffel, Deputy Assistant Secretary for Financial Management Business Transformation. Finally, we have Mr. Daniel McCune, Executive Director of the Enterprise Portfolio Management Office.

Mr. Rychalski will provide testimony for the Department and each of the VA witnesses will respond to questions.

The subcommittee thanks you all for appearing today and, Mr. Rychalski, you are recognized for 5 minutes.

STATEMENT OF JON RYCHALSKI

Mr. RYCHALSKI. Good morning. Thank you. Chairs Pappas and Lee, Ranking Member Bergman, and distinguished members of the subcommittees, thank you for the opportunity to testify today in support of the Department of Veterans Affairs' efforts to modernize

its legacy financial management systems through the Financial Management Business Transformation, or FMBT, Program.

Successful deployment of FMBT is the most impactful thing we can do for VA's financial health. This effort is both high risk and high reward. We have two previous attempts at replacing the VA's legacy financial system. I was a new consultant just out of the Air Force with the prime contractor on one of the attempts, Core Financial and Logistics System (Core FLS), that was not successful, so I am aware of how difficult something like this can be.

FMBT arguably had its own rough start. What began as a shared service partnership with the U.S. Department of Agriculture abruptly transitioned to a sole VA-led effort when USDA pulled out of the deal. This might have been the best thing that could have happened for this program. We painstakingly built very close relationships with our business partners, both internal and external. I firmly believe we, the collective VA we, are best positioned to execute this implementation with strong business partners like CGI, Deloitte, and many others.

The VA's current financial management system, FMS, is 30 years old and is increasingly difficult to maintain, but setting aside age, the real challenge is functionality. To give some perspective, I would like to briefly share a common accounting scenario, how it is done today under FMS and what it will look like under FMBT.

Currently, when a contract is awarded in our contract management system, the award amount is not forwarded to the financial management system for processing. Instead, communication from contracting personnel to finance personnel to manually enter the award amount into the financial management system is required. This redundant keying of information is error-prone and it is frequently overlooked, necessitating tedious and time-consuming reconciliation of the contract management and financial management systems. Under FMBT, the financial impact of the contract award action, as well as any subsequent changes to the contract, will be automatically recorded and forever linked to the contract award, thus eliminating the need for reconciliations, and strengthening the accuracy of financial reporting and increasing the speed and accuracy of payments to contractors.

One of the most important attributes to achieving success in an implementation of this complexity is strong commitment from senior leadership. FMBT has paired with Logistics and H.R. Systems Modernization in one of the Secretary's top three priorities that we refer to as our Business System Transformation Effort. I meet with the Secretary and Deputy Secretary daily as part of the Secretary's sync meeting. It is noteworthy that this is the first Secretary in my tenure that has included the CFO in daily sync meetings. We routinely discuss progress on this transformation.

Equally important is the person leading the day-to-day effort. I carefully selected the FMBT leader, Ms. Terry Riffel, who formally headed our Financial Services Center. Ms. Riffel started her VA career 33 years ago at the VA Medical Center in Columbia, South Carolina. She has the experience and credibility to lead this effort. She also has experience successfully leading two recent major system deployments, Concur Travel and VATAS Time and Attendance, which were both deployed VA-wide.

Our current FMBT deployment schedule takes roughly 10 years to complete; that is a long time. We also recently made a schedule change that moves the Veterans Health Administration 2 years to the right. We made this decision because we are deploying FMBT at a unique time, concurrent with the deployment of our new electronic health record and a new medical logistics system, Department of Defense's (DOD's) Defense Medical Logistics Standard Support or DMLSS system. It gets more complicated than that.

The accounting system must be tightly linked to the logistics system to ensure ordering, delivering, and payments are seamless. Some of you may recall the debacle during the Core FLS deployment when the accounting system, logistics system, and users could not function together, and surgeries had to be canceled because medical supplies and equipment were not available. This has real-life risk.

It just so happens that in the same timeframe that DMLSS is being deployed across the VA, the DMLSS system itself will be upgraded to a more modern, cloud-based version called LogiCole. This presents a unique challenge in that, if we deploy FMBT quickly, we will need to connect the financial system to the logistics system two separate times with two major training initiatives. Our current schedule has us connecting to the final cloud-based version, LogiCole, one time with one set of training.

Faster deployment means more disruption to end users, technical rework, cost, and risk. Slower deployment means it will take longer to get the full benefits of the FMBT system. None of us working on this program are satisfied with a 10-year deployment. The next year will be very telling with respect to accelerating our schedule. The electronic health record, DMLSS, and FMBT are all scheduled to be deployed in various locations for initial operational capability in 2020.

With respect to cost, I am happy to report that we are within our planned budget. The current estimate for FMBT full deployment is roughly \$2.5 billion. Our most significant funding issue is access to IT funds. The IT budget is stretched very thin with many new and costly requirements associated with the MISSION Act, Colmery Act, needed infrastructure upgrades, and a seemingly endless list of system enhancements that improve service to veterans. IT funding is an additional hurdle that must be overcome if we ultimately accelerate the deployment.

I am proud of the progress we have made and look forward to a big year in 2020. Our deep collaboration with and unwavering support from VA administrations and staff offices has given the program the flexibility and adaptability to work through any issue and handle the funding challenges to date. With the National Cemetery Administration (NCA) implementation on schedule for go-live in July 2020, FMBT is poised for success.

Chairs Pappas and Lee, Ranking Member Bergman, and members of the subcommittee, this concludes my statement. I would be happy to answer any questions.

Thank you.

[THE PREPARED STATEMENT OF JON RYCHALSKI APPEARS IN THE APPENDIX]

Mr. PAPPAS. Thank you very much for your testimony. We will now move on to the questioning period of the hearing and I will begin by recognizing myself for 5 minutes.

I think no one here disagrees with the fact that we need to modernize the financial management at the Department, that fact is very clear, but there is deep concern about failed attempts in the past, and I want to zero in on what lessons were learned from those two failed attempts and other implementation efforts that have gone on across the VA about how you can focus your efforts here, and I would ask that of all three members of the panel.

Mr. RYCHALSKI. Sure. I will give you my perspective. I mentioned that I was on Core FLS as a contractor and had been a contractor off and on for about 10 years. My impression is, having been a consultant, that many times the agency that we were supporting was in a better position, frankly, to lead the effort. A lot of times they turned it over to the contractor, who did not understand the business nearly as well.

I think number one for me is it should be government-led. I think that the leadership team, support from senior leadership is incredibly important. Beyond that, I think one of the most important things is absolutely having buy-in from the administration, staff offices, the customers, both internal and external.

I know that Terry Riffel was here for both previous deployments and I think she probably has some insight as well she could share.

Mr. PAPPAS. Thank you.

Ms. RIFFEL. I would just add a couple of things. First of all, the involvement of the end users is critical. I was on the Veterans Affairs Time and attendance System (VATAS) deployment, one of the key lessons learned from that is that you need to be onsite, both boots on the ground before, during, and after as VA requires that. Most of you know, VA does not handle change very well, so making sure that we actually are supporting those end users, providing the training, and being there in person, they need face-to-face contact whenever you are doing that.

That was a major lesson learned with Core FLS; we did not have as much there as we needed, so that was a big deal.

Then I would just echo what Mr. Rychalski said in terms of the contractor runs. If you look at the audit reports from most of those, you will see that the government oversight was inadequate and we have significantly addressed that in this particular effort.

Mr. MCCUNE. From an IT perspective, I would echo what Ms. Riffel just said. A lot of the lessons learned that we had around those prior efforts were having contractors in charge, we have government IT people in charge on this program.

The other thing that we often saw on prior projects or failed projects is requirements and clearly those requirements need to be clearly defined before we start the IT development and, if there are changes once we start development, then that is rework. I am fairly confident that through our requirements process on this program we are where we need to be, particularly for NCA.

Mr. PAPPAS. Ms. Riffel, Mr. Rychalski called FMBT high risk, high reward; would you agree with those comments?

Ms. RIFFEL. So independent, on its own, it is complex; adding EHRM and LogiCole increases the complexity, as we all know. I would absolutely echo that.

Mr. PAPPAS. Could you comment on the need for integration? FMBT is only going to be successful if it can be successfully integrated with other IT projects that are ongoing. How is the prospect for that looking?

Ms. RIFFEL. We are actively engaged with those two other major initiatives. We have staff that are integrated into both at the senior level, at the leadership and governance level, as well as the technical level, as they are having detailed discussions around how they are going to do both interim and future State for those two initiatives. We are highly involved.

The reason why we have to be connected with LogiCole is when you look at the supply chain, there is the requisitioning piece, the purchasing, the receiving, there are a lot of activities that, quite frankly, there is overlap between what we are doing. We have to look at it functionally and determine where is the appropriate place for that to occur.

It is very, very necessary for us to be there, so we do not impact patient care at all.

Mr. PAPPAS. Mr. Rychalski, I was encouraged to hear you say that you support an expedited timeframe, faster than 10 years in terms of the implementation. When do you think VA will be able to develop a finer schedule on that if acceleration is appropriate?

Mr. RYCHALSKI. I mean, first I would like to have a win under our belt. I am looking forward to NCA in 2020 to prove and I feel very positive about this program. I was very nervous when I took over and, you know, USDA was running this and it sort of fell apart; I knew this was high risk, I saw the schedule. Early on, though, I wondered about the schedule. We talked about some acceleration, but because of complexities on the front end with interfaces, we sort of waited.

What I would say is that through this year with our, you know, deployment to NCA and Veterans Benefits Administration (VBA), with the deployment of the electronic health record and DMLSS, I think we will have a better sight picture of how complicated all of that is, how successful we are with FMBT, how disruptive EHRM and DMLSS is to the sites that it is going to. Because keep in mind, depending on how we do this, if you were a VA medical center director, you could have, you know, an electronic health record coming in, you could have a new logistics system coming in and, depending on where we try to wedge ourselves in, you could have us at the same time or just after, at a time when more veterans are coming to VA medical centers wanting more care, frankly. We have to sort of weigh that.

My biggest concern is that we would disrupt or somehow affect patient care, which is what happened with Core FLS when I was involved.

What I would say is, by the end of 2020, I think that we will have a much better idea of what is possible. The only thing I will qualify, though, is I think, you know, the first rollout is not going to be the like the second. I was at DOD when we rolled out the electronic health record recently there, Cerner, and even though we

thought we—you know, I really thought we knew everything, we had everything planned, no plan survives contact with the enemy, it was a very rough first year. They were just doing the electronic health record, right? They already had DMLSS in place and they were not doing a financial system.

After that they sort of—you know, they got their sea legs, so to speak, and they moved out I think more smartly. The first year, we are going to see what happens, but it will not be like the second and the third, because things are going to get smoother, so even more will be possible.

That is kind of a long-winded way of saying I need at least through this year to see how we do and then even more may be possible once we know, like after the second implementation of some of these.

Mr. PAPPAS. Thanks. I hope we can continue to unpack that a bit, but my time is up.

I would like now to turn to Mr. Banks and recognize the ranking member for 5 minutes.

Mr. BANKS. Thank you, Mr. Chairman.

Mr. Rychalski, what happens if FMS, the current system, fails? What is the impact of that and what is the mitigation strategy?

Mr. RYCHALSKI. I do not think FMS is going to fail. I mean, I agree, it is frail, it goes down routinely, it is harder and harder to find people to work on the system. The analogy I would give you is, you know, when I was new in the Air Force, I worked in an aircraft maintenance squadron, we had the B-52, and I remember my maintenance supervisor telling me that, you know, we have pilots today that are flying the same airframes that their fathers flew, this aircraft has passed its life expectancy and it is not going to be around much longer, but you know what, I think they are still flying it.

What I would say is, because it is not like a law of physics, you know, if we have to—and I would prefer not to, but if we have to limp along with FMS longer, we can; it is not that it cannot be done, it just becomes more problematic the longer we go.

I would ask Terry Riffel, who has much more experience, and to also chime in with that, but that is sort of my take.

Ms. RIFFEL. Yes, I do not have a whole lot to add. I think that, you know, we have the experts that we need in place today to make sure that, you know, the file bins or whatever we can actually, you know, come up—so, you know, for that reason, I think we would be able to maintain it. We would not be able to do improvements and potentially legislative changes would be impacted, but otherwise we would be able to maintain it.

Mr. BANKS. All right, let us move on.

Mr. Rychalski or Ms. Riffel, John Windom reports directly to the Deputy Secretary as head of EHRM, and the Deputy Secretary is responsible for all the program's funding. Those arrangements were put in place to encourage accountability. What similar arrangements exist for FMBT?

Mr. RYCHALSKI. I think I can answer that. I am responsible for FMBT, I report directly to the Deputy Secretary. As I mentioned, I meet with the Secretary and Deputy Secretary daily, and Terry

Riffel reports to me directly. I think we have a pretty flat organizational chart.

Mr. BANKS. OK. Mr. Rychalski, what could we do to elevate FMBT's level of prioritization within the Department given your previous answer?

Mr. RYCHALSKI. I mean, I think it is one of the top three priorities, mixed in with DMLSS and the H.R. system modernization. I know it has not got a lot of publicity and I think that is probably because of EHRM, but within the Department it is a high priority. We discuss its—you know, we work it daily, we discuss it daily with the Secretary.

I know maybe from your perspective it does not seem like it, but within the Department it is a high priority and, from my own perspective, I have not seen that it needs to be, you know, brought up any higher. I have no problems with approaching the Secretary if we have issues or whatever. So—

Mr. BANKS. Ms. Riffel, is the program management office that you lead fully staffed? If not, how many available positions are there that are open?

Ms. RIFFEL. We have a total of 46 full-time equivalents, we are recruiting for about 12 right now. We also have some that are paused because the Veterans Health Administration (VHA) was moved to the right, but otherwise full staffed, and certainly supported by both Deloitte and CGI from a contractor perspective.

Mr. BANKS. Do you consider the office fully staffed?

Ms. RIFFEL. Once we start Veterans Health Administration, we will add to that staffing.

Mr. BANKS. How many of those are Government employees and how many are contractors?

Ms. RIFFEL. 46 are full-time equivalent Government, we have right now probably around 380 total contractors between all the contracts that are supporting the effort.

Mr. BANKS. Okay. There are a lot of people working for FMBT—or FBMT—who do not report to you directly? For example, there are employees of OIT, the Office of Acquisition, and the National Cemetery Administration. How do you coordinate all those people and enforce accountability?

Ms. RIFFEL. We are actually a matrixed organization. You know, one of the provisions when I came over is I wanted to leverage the Financial Services Center IT staff. They are actually under the franchise fund, they report directly under Dan McCune, but the existing relationship that I had with the alignment of business and IT in that organization and the delivery of capability that we had had in the past, that was very important for me to gain that IT relationship that already existed and bring it with me to this program. IT agreed with that, we are leveraging that IT staff, and I would tell you we are in a much better position as a result.

Mr. BANKS. You provided the committee an organizational chart, but there were very few names noted in the chart. Could you provide us an updated—

Ms. RIFFEL. Sure.

Mr. BANKS.—organizational chart to show which positions are filled—

Ms. RIFFEL. Absolutely.

Mr. BANKS.—and who those individuals are?

Ms. RIFFEL. Yes, we can do that.

Mr. BANKS. Thank you very much.

I yield back.

Mr. PAPPAS. Thank you, Ranking Member Banks.

I will now turn things over to Chairwoman Lee for 5 minutes.

Ms. LEE. Thank you, Mr. Chairman.

I want to delve in a little bit to the structure of the financial management of the VA, because, you know, looking at the organizational chart, it is very decentralized.

Mr. Rychalski, how many CFOs does the VA have?

Mr. RYCHALSKI. Well, I would say at least—I mean, many people call themselves CFO. There is a CFO for each of the administrations or each appropriation. You know, NCA, VHA, VBA, and the OIT appropriation, and myself. I guess you would say, so five.

Ms. LEE. But there are other people with the CFO title?

Mr. RYCHALSKI. Well, people that call themselves like a CFO of a specific program or office, but I would say, you know, five real CFOs.

Ms. LEE. Of the five, what authority and oversight do you have of those?

Mr. RYCHALSKI. I do not have direct authority over the administration CFOs, they report to their respective Under Secretary.

Ms. LEE. Is it really possible to manage the VA's finances with this structure?

Mr. RYCHALSKI. I mean, in my honest opinion, it is. I have mentioned this, people have asked me this before, would I be any more effective if they reported to me, factually, I do not know that that would be the case. You know, there would be a different dynamic. If all of the resource or accounting assets reported up through me, it would still be embedded in VA medical centers and there could be a new—sort of a new tension.

You know, one of the tenets of command is that you have command of the assets that you are responsible for, so when you get down to the Veterans Integrated Services Network (VISN) and the VA medical center, arguably, they should have control of their financial people. I do not know that it would be any better necessarily.

Ms. LEE. Well, can you say with confidence that you have oversight of and transparency into the VA's spending, major spending?

Mr. RYCHALSKI. I can say I have transparency that is greatly limited by FMS, I will acknowledge, but I do have an excellent relationship with the CFOs. I think I have absolute transparency into the spending, yes.

Ms. LEE. Who has the oversight?

Mr. RYCHALSKI. Well, I would say me overall for the financial program, but then individually, you know, the Under Secretaries are responsible, the CFOs report to the Under Secretaries, so it is matrixed.

Ms. LEE. Do you believe there is spending that happens that the VA leadership might not know or have knowledge of?

Mr. RYCHALSKI. Absolutely. I mean, you know, a \$220 billion program, I mean, there are programs that I come across that I did not realize that we necessarily had. Yes.

Ms. LEE. What is the—how do you make decisions about which projects get funded and what is the threshold for your involvement?

Mr. RYCHALSKI. Well, each administration has their own appropriation, so they have autonomy with respect to deciding. We work with them on the budget, we look at high priorities, secretarial priorities, sort of their execution. It is a collaborative effort and we, you know, since Secretary Wilkie has been there, have greatly strengthened the governance structure.

Many of these major decisions go through our governance structure, so it is a more broad and corporate, I guess, decision-making process.

Ms. LEE. What is the communication between the administrations?

Mr. RYCHALSKI. Well, I chair the CFO Council, we meet monthly formally and then informally as needed. We have weekly under assistants meetings; we have a VA operations board that meets twice a month, one of those is dedicated to financial issues, that would probably be one of the most significant here. That is chaired by the Deputy Secretary, sometimes the Secretary attends that as well.

There is actually quite a bit—and I am, you know, comparing this over my tenure—there is quite a bit of cross-communication, collaboration today. Early on in my tenure at the VA, there was much less so, I guess I would categorize it.

Ms. LEE. It all sounds a little complex.

With all of this, who are the decision-makers for the FMBT project?

Mr. RYCHALSKI. Me. I mean, ultimately.

Ms. LEE. Okay. You sign off on the scheduled, you sign off—

Mr. RYCHALSKI. Correct.

Ms. LEE.—what order, the order that everything goes in?

Mr. RYCHALSKI. Correct. Yes, that is correct.

Ms. LEE. Who determines if the cost is reasonable, who makes that decision?

Mr. RYCHALSKI. Well, you know, collectively—ultimately, it is my job to put the budget together and to sell it, but then it goes through Office of Management and Budget (OMB), it comes to the Hill, and people make value judgments as to whether it is too expensive or not expensive enough, I guess.

Ms. LEE. The reason I was asking this series of questions is because one of the goals of the FMBT is to address the material weaknesses that the auditors have identified within the VA year after year.

Mr. RYCHALSKI. Right.

Ms. LEE. These weaknesses include the organizational structure of the Department's CFO.

Mr. RYCHALSKI. Right. FMBT will not address that, it will not address the organizational structure of the CFO function.

Ms. LEE. Do you think this structure needs to be reformed?

Mr. RYCHALSKI. Again, this is my honest opinion, I would not change it. When I first got there, I thought, you know what, maybe it would be great if everybody reported to me, but as I became more familiar with the VA and how it operates, I frankly think that the road we are on now, which is a disciplined governance

structure, is more effective. There is nothing that I can think of that I would do differently or have more access to if all of the CFOs reported directly to me. I do not know of another agency where that actually happens. I do not know if, you know, the Department of Homeland Security, I do not think they have like the sort of same structure where the CFOs all report up. I know in DOD the comptroller does not—the supervisor is not in control of all the service CFOs. So——

Ms. LEE. Okay, thank you. Sorry.

Mr. PAPPAS. Thank you, Chairwoman Lee.

I now recognize Ranking Member Bergman for 5 minutes.

Mr. BERGMAN. Thank you, Mr. Chairman.

You all can see the chart behind me, right? Okay. Can you read anything on it? No, it is an eye chart. That is okay, because what we have done is we have packed a lot of information onto this over an expanded time line, details of who is doing what and time lines for implementation and all of that. Is the chart behind me, is it about to be changed, updated? Have you got anything coming out that is going to surprise us here with how we view this?

Mr. RYCHALSKI. There is one update, I think, and Terry can speak to it. There is actually, I think, an improvement that has to do—and I will let actually Terry explain sort of what we did with VBA.

Ms. RIFFEL. Actually the last time we met with staff here, they asked us to look at VBA, could we do VBA sooner. We actually met with them, met with senior leadership, met with appropriate staff on the VBA side. We were able to move VBA in 2 years.

What we have done is Compensation and Pension (C&P) and VocRehab and Education are now moved over with the existing C&P benefits wave. I call it a wave. Think of a wave as a discrete implementation that we are going to do. What we did is we moved that over, so we have actually shaved 2 years off.

That is the major change that you would see from, I think yours is dated August, the one that we have recently done is dated October.

Mr. RYCHALSKI. I would say, to your point, if you are asking if there are going to be any schedule slippages, there are not——

Mr. BERGMAN. Actually, no, that is not what I was asking.

Mr. RYCHALSKI. Okay.

Mr. BERGMAN. I was asking, is there going to be any changes to the visual chart that those of us here would look at to determine where we are in the implementation.

Mr. RYCHALSKI. You mean to make that easier to read?

Mr. BERGMAN. I mean, are you thinking any—I guess I am leading to, I am going to give you a little guidance.

Mr. RYCHALSKI. Okay.

Mr. BERGMAN. Okay? Because it is one thing what you have here, we see—we in the military would call it a POA&M, plan of action and milestones. What I do not see to the level of detail possible is, as we move along from year to year, if you think of just a simple pie chart of 100 percent of the effort that is being put in and who has got the dot or the con, whatever you want to call it, at that timeframe, you could actually, I believe, put a single pie chart above each year and predict is it, number one, the contract—

you know, whoever is implementing the system, have they got 50 percent of the effort or 70 percent of the effort.

Break that pie chart down, because I would suggest, if it is going to look like what we hope for and count on as a successful implementation, the migration of work effort is going to change from those creating it to those actually implementing it and using it on a daily basis. I believe it would be helpful for the committee to be able to see that transition of work effort, but what we do not want to all of a sudden see at the end is that, whoop, we dropped it into the hands of the people who are going to use it every day and it does not work.

Mr. RYCHALSKI. Yep.

Mr. BERGMAN. Okay? So——

Mr. RYCHALSKI. Got it.

Mr. BANKS.—having said that, I would suggest that would be helpful at least for those of us visual learners in here. Also it provides a visual depiction for all those who have a dog in the fight here and at what point, because if you are the design person, you know that your work is done early on; if you are the training person, you are in the middle; if you are that end user, your efforts are going to be as you put it into practice and how you give the feedback to the design person, the implementation person, so you can iron out the inevitable bugs that will be in it.

Just a thought process as we look at the totality, because, let us face it, some of us who are sitting here before you today may not be on this committee when we are having a discussion, you know, 4 or 6 years from now about where are we on the process and what we do not need to do is—well, let us put it in the positive—what we do need to be able to do is to provide a corporate memo here on the committee level that we can, you know, go back and forth with all of you, so that we start from a shared experience and a time line.

With that, I will yield back at this point in the first round.

Mr. RYCHALSKI. I think it is a great suggestion.

Mr. PAPPAS. Thank you, Ranking Member Bergman.

I will now recognize Mr. Cisneros for 5 minutes.

Mr. CISNEROS. Thank you, Mr. Chairman. Thank you all for being here today.

Secretary Rychalski, I want to ask about the training. You know, as we discussed in the O&I hearing in September on examining VA's overpayments and data collection practices, concerns remain as to the VA's problems in reducing improper payments. While I appreciate the VA's progress in developing a functional and integrated financial management system that will help address these weaknesses, what is the VA doing to ensure staff across the agency are being trained properly on the new system and related business processes to ensure these technologies are used effectively? What are the current oversight mechanisms in place to ensure this for both the training itself and the new processes in place for this training module? Will these be reoccurring trains and, if so, how frequent?

Mr. RYCHALSKI. I am going to ask Terry Riffel to take this question, because I will not do it adequate justice for the amount of time they put into the training program.

Ms. RIFFEL. Thank you. I am actually very excited that you asked me this question, because I think that we are actually doing fantastic in this area. I will focus on NCA, because that is the one, the implementation that is underway right now.

We started actually in April doing what we call familiarization sessions, which is actually demonstrations, getting users their first peek, let us take a look at what it looks like, and that was after we did their initial configuration. They are looking at what they are actually going to see. We had about 200 users at each one of those sessions. That was the first thing we did, then we went to actually doing site visits.

We did what we call a district profile, where we are able to actually look at that particular cemetery and determine what are the actual users going to be, what are they going to do? Are they the guys mowing the lawn or are they the admin people? We were able to get in and really understand their needs. Then we went in and we actually did additional training and demonstrations pertinent to what those users were going to actually do.

After each one of these sessions that we did, we actually did a survey for them. You talk about, you know, let us get timely feedback, let us make sure that what we are doing is what they need. We learned from those; we got really positive feedback on that.

The next thing that comes out after that is we do the actual hands-on, instructor-led training, which is when we are getting ready right to deploy. After that—and everybody is trained—then we have what we call dedicated users. I talked about this earlier, boots on the ground, people are there. They are going to hand-hold and be there for a while while they first come up.

After that, we have got another dedicated group that are customer support that are dedicated that organization that just came up. If they need help after the person has left the site and they still need help, they have a dedicated group in the customer support help desk that they can call and get direct support unique to what that particular organization just came up on.

I would tell you we have a very comprehensive training and organizational plan in place as we go live.

Mr. CISNEROS. Is this training that is going to—how frequently is this training going to be done?

Ms. RIFFEL. Right now, we are doing the familiarization sessions monthly, and we are in the process of doing the site visits right now, we just completed two, and those will complete in January. And we are really working directly with the customer, in this case NCA, to drive the frequency that they want, depending on the availability of their resources and so forth, so that we can make sure that—we do not want to show up if they are not ready, right? We are working with them to make sure that we have got it right for the organization which we are working with.

Mr. CISNEROS. As far as the site visits, how long is going to take you to complete all the site visits?

Ms. RIFFEL. What we are doing is we are doing a cross-section, so we visited the major cemeteries. A lot of the activity in NCA, it occurs in pockets. There is a lot more population in certain areas than others. We focused the training efforts and the dedication to the site visits where the larger stations are.

Mr. CISNEROS. You are talking about the cemeteries right now and I am going to assume that is your example, but, I mean, the VA is larger than just cemeteries.

Ms. RIFFEL. Oh, correct.

Mr. CISNEROS. How are we going to—

Ms. RIFFEL. Yes, so—

Mr. CISNEROS.—how long is it going to take us to do site visits of all these places?

Ms. RIFFEL. The way that our project is structured in terms of the methodology that we are employing is we are an agile project. What we are doing right now is very unique and dedicated to what NCA's needs are. As we go into Veterans Benefits Administration, which we are doing right now, the model for them might look slightly different. The way that we are structured is that we are actually doing the training, we are doing the before, during, and after dedicated based on the footprint that we see based on those site assessments on exactly what VBA needs. We will do the same thing for VHA.

In other words, it is not going to necessarily mean one training is across the board. We have to make sure that the users and the way they are going to use the system, which is quite different in VHA than it is in NCA, we have to make sure that we are doing it the right way.

Mr. CISNEROS. All right. I yield back my time.

Mr. PAPPAS. Thank you, Mr. Cisneros.

We will go into a second round of questioning and I will begin by recognizing myself for 5 minutes.

Ms. Riffel, if I could continue on that line about the training. Thank you for walking us through some of the steps and components of the training program. I am wondering if you can give us a scope in terms of the number of employees that need to be reached as part of the training for FMBT across the VA system?

Ms. RIFFEL. Yes. Right now we probably have—and I can get you a total number, but it is over 4,000 users are going to be trained. What I will also say is that we are implementing and maintaining the invoice payment processing system, which is a huge component that a lot of our users use today. Because we are maintaining that particular interface, that service is about 10,000 users, so it has reduced that population of what we would otherwise need to train.

Mr. PAPPAS. The number of users you cite, that is over the 10-year implementation—

Ms. RIFFEL. No, no—

Mr. PAPPAS.—time horizon?

Ms. RIFFEL.—no, that is not over the 10 years. Why do not I take that—I do not want to give you a false number, let me take that for the record and give you an appropriate number.

Mr. PAPPAS. Okay. Yes, I would like to know exactly how—you know, as this time schedule that we are looking at rolls forward, what the capacity of the training program is and how many users you have to reach. That would be great.

Mr. Rychalski, if I can get back to the issue of the rollout schedule for FMBT. I maybe was not listening as intently as I should have and wanted to dive a little bit further into the issue of schedule. Can you let us know, you know, in terms of acceleration, what

are the key points along the road here over the next 10 years and, you know, what are the determining factors of when this timeframe can be collapsed?

Mr. RYCHALSKI. I think the biggest consideration is this matter of DMLSS and LogiCole. If there was nothing else being deployed, you know, I think this would be a matter of let us make sure we can do this successfully at NCA. Concurrently, we had thought about doing one VHA medical center as well as a proof of concept, but then this DMLSS thing came along and then this DMLSS upgrade to LogiCole. The big question is, does it make—I think, technically, people agree it makes more sense to connect one time and to connect one time we have to delay our schedule with VHA.

The big question is, as we roll these out, is there significant benefit to rolling it out early doing two connections, to major training initiatives, or not. That is sort of the big question in my mind.

Mr. PAPPAS. How many key milestones are there?

Mr. RYCHALSKI. You mean to make that—

Mr. PAPPAS. That will be decision points?

Mr. RYCHALSKI. That is a tough, tough question. The first decision point for me is, can we successfully deploy this to NCA? The next decision point is, how smoothly does DMLSS implementation go at Initial Operational Capability (IOC). Then I think the third question is, how disruptive—the third decision point, which would be later this year, you know, how disruptive would it be to try and connect FMBT to DMLSS as that goes in.

At least in this year there are three major decision points and I would think after that it would be a matter of—another one would be, what benefit is there to waiting for LogiCole or, based on probably what we know this year, moving it up and connecting twice.

Mr. PAPPAS. Next year, when will you be able to come back to our committee with something a little bit firmer?

Mr. RYCHALSKI. I think in the—I would say in the fourth quarter of the calendar year, October, November, December. By then, DMLSS will have rolled out in the Pacific Northwest, EHRM will have deployed as well, and we will have NCA and we will be deep into VBA, so we will have a lot more intel on how this is going.

Mr. PAPPAS. Okay. Mr. Rychalski, you were here in September, the O&I Subcommittee did a hearing about debt management—

Mr. RYCHALSKI. Yes.

Mr. PAPPAS.—and we are very concerned about the pressures that this places on individual veterans. I am wondering if you can talk about FMBT and the role it might play in helping the Department address the overpayment and debt issue for veterans?

Mr. RYCHALSKI. I may have to ask Terry to help me. I do not know what direct effect FMBT will have on, for example, the creation of debt. A lot of that has to do with notification of things, as you know, like education or change in spouse, or things like that, that is principally—the majority of those things create the veteran debt and generate the overpayment. I do not know that FMBT is going to have a substantial impact on that.

Mr. PAPPAS. Well, one of the issues that came out of that hearing was the fact that different systems were not always talking to one another and I did not know if implementation—

Mr. RYCHALSKI. Yes, this is probably not the case. I think there it has to do with things like, you know, when somebody is incarcerated and they are in a system, that information getting over to the VBA, so they know when someone gets married or divorced or things like that, when they go to school, if they drop a class, those types of systems, but less so the accounting, unfortunately, in this case. This, as we have sort of described, the systems here will help vendor payments, for example, companies, things like that, for contractual services, goods, that will be expedited—

Mr. PAPPAS. Okay.

Mr. RYCHALSKI.—and more accurate.

Mr. PAPPAS. My time has expired. Thank you very much for your responses.

I will now turn it over to Ranking Member Bergman for 5 minutes.

Mr. BERGMAN. Thanks, Mr. Chairman.

You know, my first 5 minutes we talked about time lines, let us talk about money this time. I want to dig—Mr. Rychalski, I want to dig into the cost and the schedule, but especially the cost.

You know, FMBT's original life cycle cost estimate was, you know, \$887 million under USDA. As we know, USDA pulled out. Right after they—or right before they pulled out, it increased to \$1.0009 billion. Then it spiked to \$2.34 billion, without much explanation, after VA took over. I note that your testimony says, alternately, \$2.4 billion and \$2.5 billion.

Can you tell, you know, as best you can, what the correct number is and, whatever number you give, how confident are you, you know, however you want to put the percentages on it, that is your call, but what do you think?

Mr. RYCHALSKI. The current number as I know it is 2.5. Being very candid, I do not have high confidence, but I do not say that because I think the cost is going to go up, it is just—I mean, factually, I just—I do not know, you know—I will leave it that, I have low confidence. I mean, I think in terms of trying to accelerate the schedule should change the cost and things like that.

I think that some of the changes to the cost estimate are a function of, as you mentioned, USDA, the first cost estimate was based upon their work. I do not know that that cost estimate was accurate and when I saw—when I came over and saw the cost estimate of \$800 million for doing this system-wide, that just did not make sense. I mean, that was to me too low.

We have since done additional cost estimates, but what I have learned through the years both as a consultant and, you know, sort of doing CFO functions is, until you get a couple of sites under your belt, some experience, then you kind of know what it is going to cost. At this point, it is sort of all theoretical. I saw this in DOD when we rolled out the electronic health record. We had wildly changing cost estimates, wildly changing scenarios for systems that we were going to save money on, and sunset and not.

I think my experience just tells me I have low confidence at this point, because we are so early into it. I would be happy to come back with you, and I am sure that you will insist that I do so, once we have more experience and I can provide you more confidence with—

Mr. BERGMAN. Well, in just listening to you talk—having been in similar shoes at a different time in life in uniform and having to apply cost estimates to implementation of everything from weapons systems to readiness systems, it was a moving target—in listening to you talk, I would suggest potentially for the committee here and for all of you and anybody else, as we talked about, you know, maybe modifying the chart here to add who's got the dot percentage-wise of the effort at that point, it probably would be helpful for all of us to see, as cost estimates revise, whether they be up or down, based upon updated data as to where you are, it is kind of like you are doing, you know, a check of this are we getting—if we are spending \$1 million on this, is it going to be 1.2 or is it going to be 0.8, whatever it happens to be, but that kind of fidelity would be helpful.

Mr. RYCHALSKI. Agreed.

Mr. BERGMAN. You know, what drove, do you think, the schedule to stretch out from 2025 to 2028 to 2030 originally, what was the driver on that?

Mr. BERGMAN. I think the—I will ask Terry to chime in as well, but I think the number one driver was the number of waves that we were able to accommodate at any one time and then, beyond that, it was the shifting of VHA to the right. Terry, if you can—

Ms. RIFFEL. The main thing was we worked with the administrations and staff offices, our direct customers who have to support the actual success of the implementation, to drive the roadmap on what we knew was achievable. As Mr. Rychalski said, that drove the number of waves, it expanded them slightly, so that we could actually ensure that we would be successful. And then the secondary thing is the alignment with LogiCole. Pushing it out to 2030 is the direct alignment with LogiCole.

Mr. BERGMAN. Okay. Thank you, Mr. Chairman. I yield back.

Mr. PAPPAS. Thank you.

I will now recognize Chairwoman Lee for 5 minutes.

Ms. LEE. Thank you, Mr. Chairman.

I have a question for Mr. McCune. What is the OIT's responsibility in regards to developing, implementing, and funding enterprise-wide technology projects?

Mr. MCCUNE. That is a big question. Clearly, the development of enterprise systems falls within our lane. There are a number of ongoing large programs today and many of them have been talked about here: MISSION Act, Colmery, FMBT, EHRM, and DMLSS. Those fall within the OI&T space.

Ms. LEE. If the FMBT any different than these other large technology modernization projects and can you explain why or why not?

Mr. MCCUNE. Sure. I think it is a little bit more mature. It is a little older, it started in 1916, so we have a little bit more time to stand up and structure the program. In my mind, it is a little bit more mature, largely due to time.

Ms. LEE. I want to shift now. I am concerned about what happened with this \$14 million that was designated as coming from IT dollars. Did OIT actually commit that funding and, if so, when did it get changed and why?

Mr. MCCUNE. I will answer your question and then I will also defer to our CFO, who is sitting to my right.

From an IT perspective, we are still recovering from that change of USDA leaving us. We had a financial plan in place; when they left, we had to restart the financial planning, and that is a 2-year cycle. We are still catching up from that.

The other thing that is in play here are the multiple priorities within OI&T for funding. Again, those names that I just mentioned are all competing for the same amount of money.

Mr. Rychalski, is there anything you want to add to that?

Mr. RYCHALSKI. I have nothing to add.

Ms. LEE. Ms. Riffel, due to this \$14 million shortfall we discussed, the VA planned to reduce or eliminate funding for the independent verification and validation steps. These steps, it is a critical piece of the program support that allows for third party verification of product development. Does the VA continue to face this funding shortfall and will it not be funding these Independent Verification & Validation (IV&V) activities?

Ms. RIFFEL. Right now we still have IV&V actively engaged and right now we are in the midst of system integration testing. They are actively engaged in the program.

We are still looking for the results of the VA unfunded requirement process. We expect to have favorable results from that, which would allow us to maintain them in the future. We look forward to hearing that probably within the next couple of weeks. In the interim—

Ms. LEE. Can you walk me—

Ms. RIFFEL.—we are using—

Ms. LEE.—through that process? Walk me through that process.

Mr. RYCHALSKI. Well, I can walk you through. You know, there are many claimants for IT dollars, as we have described, so we have a process that we are going through to take a look and, you know, basically to fund the neediest cases. I think FMBT will score very high.

When you go through the list of claimants, you know, some things you can tell are like very important, high risk, some it would be nice to have enhancements. The problem is, I think in the past they have not done a good job of sort of vetting those and so they would just—they would run to IT and say, hey, we have got this requirement, and they would be sort of left to their own devices to figure out what to do. They have a more structured process now, I mentioned the governance structure that is working on it. Then we have a long-term sort of requirements development process that will instill more discipline.

Even though we do have many claimants, I think we have a better process that we are putting in place to manage it.

Ms. LEE. Who is the they, who makes that—who is making those decisions?

Mr. RYCHALSKI. Ultimately, this will go the Deputy Secretary to the VA Operations Board that I mentioned. Then below that, my office, the Office of Enterprise Integration and IT have a process that we are collaboratively working on to vet the requirements, and ensure that we have adequate development funding and then, in the long term, adequate sustainment funding.

Ms. LEE. Okay, sounds very complicated. What happens if they do not choose this as a critical need?

Mr. RYCHALSKI. Well, we would not—then we would not deploy FMBT, but I think that is not likely.

Ms. LEE. Okay. All right, thank you.

Mr. PAPPAS. Thank you.

I will now recognize Ranking Member Banks for 5 minutes.

Mr. BANKS. Mr. Rychalski, I want to ask some questions about the VA's adoption of DMLSS. You decided to wait for LogiCole to become available, which means the implementation of FMBT in the VHA cannot begin until 2023. Please walk me through how you weighed the pros and cons and made that decision. If you could briefly discuss—you did briefly discuss this already, but can you give me some numbers as to the cost impact and how that affected your decision-making?

Mr. RYCHALSKI. Yes, I can. I will start with the cost, but basically the decision was—again, I mentioned this is a unique time, because we are deploying this DMLSS system and then we found out that while they are deploying it the Army, which sort of owns the DMLSS system, DOD, they are going to upgrade it. The decision came back and we looked at different excursions. Should we connect to the current client server-based and then later go back and reconnect and train for LogiCole? From a technical perspective—and maybe Dan McCune has an opinion on this—the advice was, you only want to connect one time and train one time, and so that would require us delaying and that was the basis for that decision.

The cost associated with it, I am going to ask Terry if she can refresh my memory what that meant for cost savings.

Ms. RIFFEL. I am not sure that we—

Mr. RYCHALSKI. We may have take that for the record. There was some cost savings associated with it, I do not have the figure immediately, but it was fairly substantial, I think.

Mr. BANKS. Okay, let us move on.

Mr. Rychalski, the local version of DMLSS is being installed in Washington State right now—

Mr. RYCHALSKI. Yes.

Mr. BANKS.—in conjunction with EHRM. Is it going to be replaced when LogiCole becomes available?

Mr. RYCHALSKI. Yes; eventually it will be, yes.

Mr. BANKS. Okay. Mr. McCune, I understand there are 120 system interfaces involved in FMBT, that is significantly more interfaces than there are in EHRM. How many of these interfaces are simply going away when the legacy systems are retired and how many do you actually have to build?

Mr. MCCUNE. That is an easier question to answer for NCA than it is for the entire system. I am not sure that the EHRM interface count will probably go up. I think it is around 72 for go-live, which is in March, that number will go up outside of the go-live. In terms of FMBT, there are 28 interfaces that will go live for NCA. I don't think it is dramatically more than it is for EHRM.

Mr. BANKS. Can you provide us with the specific numbers for the record—

Mr. MCCUNE. Yes, sir, I will.

Mr. BANKS.—to the best of your ability?

Mr. McCune, what are CGI's systems integration responsibilities as the prime contractor and what are VA's system integration responsibilities?

Mr. McCune. CGI is our system integrator, they are largely in charge of the development and integration of the systems, they have government oversight. My development teams, my IT teams oversee CGI and their work.

Mr. Banks. Okay. Mr. Rychalski, back to you. How is the VA in a better position to replace its financial and accounting systems now compared to 10 years ago when Flight was abandoned and 15 years ago when Core FLS was abandoned?

Mr. Rychalski. I had that same question when I came 2 years ago, how are we better positioned. I think we are better positioned because we have built strong relationships and a governance structure around it. I think it is because it is VA-led, to be honest. I think we know our business the best, I think we have good people in place.

Mr. Banks. Okay.

Mr. Rychalski. I feel very confident about this and I was not so much 2 years ago, but I really do today.

Mr. Banks. You have already spent about \$380 million on the program. You are going to install part of the Momentum system in NCA next year and install the remainder in 2021. When will you have a fully functioning system that represents a return on the investment?

Mr. Rychalski. Well, I think a fully function system across VA is going to be 10 years, I mean, when we are really getting the full return on it when it is fully deployed.

Mr. Banks. Okay. Are you sure that implementing the system in NCA constitutes a significant return on investment by itself?

Mr. Rychalski. I do. I think—and the big thing for us is proving that we can successfully deploy it, the training people can use it, it has the functionality that we need, I think all of that is critically important. That is our next big thing and we have got to knock it out of the ballpark.

Mr. Banks. Even if NCA has a great accounting system and the books look great, but VBA and VHA are still a mess, does that really change anything?

Mr. Rychalski. Well, it is the first increment of a major change. I think it does change, yes. When you look at the two failed attempts we have had in the past, it proves that we can do it. We can bring it up and have, you know, a modern CFO Act financial system.

Mr. Banks. OK.

Mr. Pappas. Thank you. We have had a request for a third round of questioning, so I will turn it over to Chairwoman Lee for 5 minutes.

Ms. Lee. I just wanted to touch base on the integration with this project and EHRM, which we are overseeing. Is it safe to say that there is a lot going on—it is safe to say that there is a lot going on and I am unclear how this is being managed from an enterprise level in terms of development of program—and program governance.

The schedule for FMBT has already been changed once to align with VHA's implementation of LogiCole. Ms. Riffel, how vulnerable is FMBT to changes in plans for other systems that it must interface with?

Ms. RIFFEL. I think it is prudent upon us to make sure that we have got Plan B in place. For example, we have all talked about a complexity of not only our program, but then, you know, adding the other two initiatives on top. Obviously we need to have Plan B that, if we need to go on our own, that we are able to do that.

I think that that is what we have in place and that is what we will be able to execute. Although we have reliance on others, we are not going to be, you know, stuck if one of the other initiatives ends up getting in trouble, we will have the ability to go forward. I think that is the most prudent thing that we have to do.

You never know the unknowns, right? I think one of the things that we have that I am very proud of is the flexibility in which we operate, you know. One of the things that Mr. Bergman asked us about was putting in place what I am going to call really deciphering the individual project plan, so that we can show who is doing what and where that pie is. We can actually do that very well and I would like to make sure that you see that, so that you understand the degree in which we are able to show that. And, because of that, we have the flexibility to be able to adapt for those, you know, ever-changing things that will happen in VA.

I think we are positioned to do that.

Ms. LEE. Mr. McCune, what does the Office of Enterprise Integration do to facilitate this type of mitigation strategy?

Mr. McCUNE. Yes, so the Office of OEI is in charge of those large, enterprise-wide decisions. Prioritization between the large programs would largely fall on their plate and they report directly to the Dep Sec.

Ms. LEE. What is the OEI's role in coordinating activities between the projects and de-conflicting issues between the program offices?

Mr. McCUNE. They facilitate meetings, coordination meetings across the programs, I have been in attendance in a number of those.

Ms. LEE. Who has oversight for all of this IT modernization?

Mr. McCUNE. Ultimately our CIO is in charge of all IT actions, and we are working with the administrations on the prioritization and I think also bringing in OEI to help us arbitrate when there are conflicting priorities.

Ms. LEE. That is the person who is watching to make sure that one program office changes does not undo the other?

Mr. McCUNE. Yes. Yes, ma'am.

Ms. LEE. Okay, great. That is all I have. Thank you.

Mr. PAPPAS. Thank you very much. Any other members have any questions?

Seeing none, just one additional. I am just curious if you have looked at the life cycle of this system once fully implemented, how long is it and when do we have to do this all over again?

Mr. RYCHALSKI. I think this will last as long as the B-52, so—factually, I don't know. I think this is—you know, it is a modern CFO Act-compliant system, it is cloud-based. We will participate in

the upgrades made to it. You know, hopefully for many years to come it will be, but—I mean, I don't know if—maybe Dan knows from an IT perspective.

Mr. MCCUNE. Yes, I think I would refer to the B-52 life cycle as well. It is really unclear. This is a modern Statistical Analysis System (SAS) system, so this is, you know, kind of a brand—and I guess the F-35 would be the more modern example, but this is a brand new system, very modern. Predicting what that life cycle is really outside my scope, sir.

Mr. PAPPAS. Well, thank you very much.

Before closing today's hearing, just a few observations. This morning we heard from VA officials that strengthening financial management within the Department is a critical goal, and you have everyone up here in agreement. Financial management is something that spans every VA administration facility. It cannot be understated that FMBT is a major undertaking, high risk, high reward, as it was said here this morning. Successful implementation will also depend on how well VA employees are trained, and whether the Department can institute improved and standardized business processes across a highly decentralized agency. Creating a modern system that allows for accurate and complete accounting, budgeting, and planning will take a Department-wide effort.

However, we also heard that the current time line would see a completion date 10 years from now, and this is simply too long. VA has promised to reconsider and likely shorten this time line by as much as half, but we will not see the details until some time next year.

I fully expect that VA will continue to keep our committee members and staff informed of any developments. We need this project to succeed. My fear is that we will sit here during a future committee hearing, say 12 months from now, and learn that VA is still planning for completion in another 10 years, and I think that will be unacceptable.

Improving VA's financial management must remain a high priority.

Chair Lee and Ranking Member Bergman and Banks, I believe we should continue to work together during the coming months as this story unfolds. And, with that, I would like to turn it over to Ranking Member Bergman, if you have any closing comments.

Mr. BERGMAN. Well, I guess maybe I am the only one here in the room that is older than the B-52. Having said that, I am not sure what my life cycle is. The point is, we know a long time ago when we built airplanes, we did not know how long they would last, so we did certain things to ensure that as long as you kept them out of corrosion and kept them well maintained they would function without end, if you will.

The reality is, is that in the cycle of digital advance that we live in, I could—I do not usually say 100 percent, but I can guarantee to 100 percent there is going to be some really cool new app, new capability that is going to come out somewhere in mid-implementation cycle. The only thing—and that is why I suggested about how we visualize on who is working on what, do not be like the bird and the shiny nickel and get off track for what seems really cool

at the time, but in the end is only just something that is, again, hot for the moment.

If we maintain the integrity of the system as we go from crawl to walk to run, we will get that 80-plus percent benefit in a digital environment, if you will. You are the stewards of the day-to-day. What we are here as elected Members of Congress, we are that—if you will, in some cases that executive board that will figure out ways to logically allocate or reallocate money based upon the performance of you all, and that is our partnership in there.

In the end, just remember, if that veteran does not receive the goods and services that they rate, we will have failed, no matter how quickly or how long that we take to do this. We are partners in this and I look forward to staying in the partnership with you for a very long time, assuming my life cycle continues.

Thank you.

Mr. PAPPAS. I will now turn it over to Chairwoman Lee for 5 minutes—or for any closing comments she may have.

Ms. LEE. No, I just—you know, from the complexity of this project to the rolling time line, to basically decisions that will need to be made further into the future, I personally am concerned about the \$2.5 billion estimate and the 10-year estimate. You know, again, we understand the complexity of this. We would like transparency and to be kept abreast of as things change rather than after the fact to have that knowledge, that would be helpful.

Wishing you all the best of luck, this is an important project, and we certainly are here to work with you on it.

Mr. PAPPAS. Well, thank you. I wish to express my appreciation to the witnesses for appearing today and providing your testimony, your thoughts, and your expertise.

Members will have 5 legislative days to revise and extend their remarks, and include any extraneous material.

And, without objection, the subcommittee stands adjourned.

[Whereupon, at 11:28 a.m., the subcommittees were adjourned.]

A P P E N D I X

PREPARED STATEMENT OF WITNESS

Prepared Statement of Jon Rychalski

Good morning Chairs Pappas and Lee, Ranking Members Bergman and Banks, and distinguished Members of the Subcommittees. Thank you for the opportunity to testify today in support of the Department of Veterans Affairs' (VA) efforts to modernize its legacy financial management systems. I am accompanied by Terry Riffel, Deputy Assistant Secretary for Financial Management Business Transformation (FMBT) and Daniel McCune, Executive Director, Enterprise Portfolio Management Office (EPMO), Office of Information Technology (OIT).

Background

I am excited about the prospect of providing VA with a modern financial and acquisition management solution, coupled with transformative business processes, to increase the transparency, accuracy, timeliness, and reliability of financial information. I can attest, first hand, that the existing, antiquated financial management system is sorely lacking in the capabilities we desperately need. When the FMBT is fully implemented, VA will be positioned to eliminate numerous long-standing audit and Inspector General findings related to financial management. FMBT will improve our ability to distribute funds, pay vendors, fully account for resources, perform detailed economic analyses, and ultimately serve our Veterans. I am even more excited to report that our progress in implementing FMBT is excellent. We are on schedule and within budget with no significant problems noted to date. Perhaps most noteworthy is the integrated, grass-roots effort that has come to define our approach. As I will explain in my testimony, our journey started out as a shared-service concept with the United States Department of Agriculture (USDA). We have since taken FMBT back in-house and have a much stronger team and approach with the results to prove it.

On March 25, 2013, the Office of Management and Budget (OMB) issued Memorandum 13-08, Improving Financial Systems through Shared Services, directing all executive agencies to use a shared services solution for future modernizations of core accounting or mixed systems. VA's Financial Management Transformation Service (FMTS) then established the Financial Management Business Transformation (FMBT) program in accordance with OMB's directive. In collaboration with the Unified Shared Services Management (USSM) Office and OMB, VA subsequently completed an evaluation of United States Department of Treasury and United States Department of Agriculture (USDA) to determine the best Federal Shared Service Provider (FSSP) to deliver financial and acquisition services. On September 19, 2016, VA selected USDA as its FSSP to guide VA's migration to an integrated financial and acquisition management solution.

In December 2017, USDA officially notified VA that they would no longer serve as FSSP to VA in support of FMBT. As a result, USDA was phased out as VA's FSSP in March 2018 with the successful transfer of contracts, licenses, and intellectual and real property from USDA to VA. VA has been solely managing the FMBT program since January 2018. While daunting at first, this ultimately proved to be fortuitous. By being responsible for our own destiny, it forced us to collaborate closely with our internal and external customers at a much more intimate level than ever before. We have forged a deep understanding of each stakeholder's requirements and priorities, and collectively, we have forged a closer bond that is paying huge dividends while we perform this implementation as true partners.

VA is migrating to the Momentum commercial cloud solution, allowing VA to leverage CGI's proven Software as a Service (SaaS) model. VA will gain increased operational efficiency, productivity, agility, and flexibility from a modern Enterprise Resource Planning (ERP) cloud solution. The new cloud solution will also provide additional security, storage, and scalability. In contrast to the extremely limited reporting of the legacy Financial Management System (FMS), FMBT will deliver robust business intelligence and reporting capabilities allowing the Department to le-

verage data as a corporate asset; enhance managerial decision-making through data analytics; and reduce fraud, waste, and abuse.

To effectively utilize all available resources, VA's Office of Management (OM) is leveraging the Financial Services Center's (FSC) deep expertise in deploying Department-wide transformation efforts. FMBT is strongly supported across all VA Administrations and Staff Offices and is closely partnered with the Office of Information and Technology (OIT) and Office of Acquisition, Logistics, and Construction (OALC). Subject Matter Experts from across all VA Administrations and Staff Offices, along with VA's Debt Management Center (DMC), Office of Business Oversight (OBO), and Office of Finance (OF) are also fully engaged with the FMBT initiative.

Technical Approach

The FMBT program utilizes a tailored Scaled Agile approach that supports multiple wave implementations and focuses on iterative delivery of functionality. Using the Agile methodology lowers risk through iterative configuration, testing, and validation, which provides transparency for improved decision-making. Higher quality is achieved with integrated, cross functional teams that can identify and address issues earlier, faster, and with more cost-effective solutions. This encourages rapid and flexible response to change and facilitates continual customer engagement to reduce the need for later rework and requirement changes. To focus and control this inherent adaptability, FMBT has instituted a robust change control process, and changes in program scope require approval from VA Program Advisors and, as needed, the FMBT Executive Steering Committee (ESC), which I chair with representation from Administration and Staff Office senior leadership.

Highlights of Three Major Accomplishments

One of our most significant accomplishments following our separation from USDA and successful transition to a VA-led effort was appointing a single leader of FMBT who has exceptional leadership skills; has a deep understanding of VA financial operations and transactions; and has a proven track record of successfully delivering system modernizations in VA (successful travel, payroll, claims processing system modernizations). Terry Riffel is this leader with over 30 years of experience at VA, most recently serving as the Director of FSC. I appointed her as Deputy Assistant Secretary for FMBT in July 2018 and as the single point person to lead FMBT implementation. There are no confusing matrixed organizational alignments; rather, a very clear reporting chain from the Secretary to me to Ms. Riffel. This construct effectively removes confusion about "who is responsible for what." Her experience with VA transformation efforts has been invaluable as FMBT moves forward with FMBT implementations. In coordination with Ms. Riffel, I oversaw the reorganization of the FMBT Program Management Office (PMO) to strengthen our focus on service delivery and customer experience in alignment with VA Secretary Wilkie's strategic plan for the Department.

A second major accomplishment was the establishment of VA's Accounting Classification Structure (ACS). The ACS will provide much-needed standardization across the VA and complies with Federal policies and guidance, including the Treasury's U.S. Government Standard General Ledger (USSGL) and OMB Circular A-11, Section 83, Budget Object Codes (BOC). This highly technical endeavor required working closely with each business partner to understand their unique reporting requirements. The result is, for the first time, VA has a federally compliant enterprise-wide accounting classification structure, including a uniform chart of accounts, BOCs, fund codes, programs, and projects that will drive standardization across the VA, improve data integrity and the accuracy of financial reporting, and greatly improve auditability.

Finally, in September 2018, FMBT successfully completed the Business Process Reengineering (BPR) sessions. FMBT engaged with all internal stakeholders to standardize the Department's core financial and acquisition business processes. Those sessions resulted in the VA-wide enterprise configuration of FMBT, which provides the foundation for further configuration to meet the specific needs of each Administration and Staff Office.

While these highlight just three of many accomplishments that we are extremely proud of, they are indicative of the progress we are making in the FMBT initiative. As such, we feel we are well positioned for our first major "go-live" in July 2020.

Timeline

In partnership with Administrations and Staff Offices, FMBT developed a notional timeline that extends through the final implementation wave in 2029. I want

to emphasize “notional” because this is not the final timeline that I intend to stay with. Ten years is too long to deploy FMBT. At my request, the FMBT team looked at ways to accelerate deployment early on. It ultimately made more sense to take a little more time on the front end of our initial deployment in July 2020 to make sure we were over-prepared and set up for success, especially given our past failures. Once we have “cut our teeth” at the first site and can confidently declare success, we are going to strategize acceleration of our timeline. Ideally, I would like to cut this timeline in half.

Our first major implementation effort is at the National Cemetery Administration (NCA), which will go live with FMBT in July 2020. The NCA acquisitions go-live will follow 1 year later in July 2021. Work is also underway at the Veterans Benefits Administration (VBA); the first phase of the VBA General Operating Expenses (GOE) implementation is scheduled to go live in November 2020, setting FMBT up for continued success with VBA as we also work toward the first phase of the VBA Insurance go-live in May 2021. All VBA funds are scheduled to go live with FMBT by January 2025. Implementation at Staff Offices across VA will be completed between 2022 and 2026. The first implementation phase at the Veterans Health Administration (VHA) will go live in December 2024, followed by additional go-lives in each subsequent year until the entire Administration is transitioned to FMBT in December 2029. The VHA implementations were originally planned for earlier in the schedule, but those waves were postponed allowing iFAMS to integrate directly with the LogiCole supply chain solution once it is available. This eliminates the need for costly interim interfaces and shortens the overall VHA implementation schedule.

By leveraging the adaptability of the Scaled Agile framework, this timeline can be easily modified to handle new funding levels and the changing needs of VA.

IT Funding

The life cycle cost estimate for FMBT over 10 years is \$2.5 billion. This includes 3 years of sunk costs for fiscal years (FY) 2016 through 2018, costs for Fiscal Year 2019, and estimated costs for Fiscal Year 2020 through Fiscal Year 2029. Although \$2.4 billion may seem high, the difficulty and complexity of replacing obsolete financial and acquisition management systems in the second-largest Federal agency cannot be overstated. Nevertheless, we are very cognizant of the responsibility a program of this size entails, and we are working diligently to be conscientious stewards of taxpayer dollars.

My current State assessment of our FMBT deployment is very positive. But I would be remiss if I did not acknowledge that this is an extremely high risk, high reward endeavor. VA identified the need to replace its aging financial management system architecture in 1999. Two previous major modernization efforts were attempted, the Core Financial and Logistics System (CoreFLS) in 2004 and the Financial and Logistics Integrated Technology Enterprise (FLITE)/Integrated Financial Accounting System (IFAS) in 2010. I was a young consultant at a firm providing the majority of support for the CoreFLS initiative when it failed so I am acutely aware of the complexity and risk. This experience convinced me that there are (at least) three key components to successfully completing an ERP implementation of this scale: 1) It must be Government led; 2) It must have clear lines of authority and senior leader support; and, 3) There must be a team effort with all business partners equally supportive. I believe that we have that recipe for success today.

Conclusion

FMBT will be the most significant investment we can make in VA’s financial health in my lifetime. I am proud of the progress we have made and look forward to a big year in 2020. Our deep collaboration with and unwavering support from VA Administrations and Staff Offices has given the program the flexibility and adaptability to work through any issue and handle the funding challenges to date, as evidenced by over 500 subject matter experts participating in program activities. With the NCA implementation on schedule for go-live in July 2020, FMBT is poised for success next year and beyond.

Chairs Pappas and Lee, Ranking Members Bergman and Banks, and Members of the Subcommittees, this concludes my statement. I would be happy to answer any questions.

